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The 10 worst-performing ESG funds of the decade
By Rob Burgess
October 9, 2024 4:58 PM

Although the popularity of ESG investing has exploded in recent years, it has also had its fair share of detractors.

ESG investments became a political hot topic, with many investors pulling money out after conservative politicians denounced the funds. Prominent Republican elected officials have criticized ESG as a form of "woke capitalism" prioritizing liberal ideals over profits. Former President Donald Trump called it "radical-left garbage." In 2023, Florida Gov. Ron DeSantis signed a law banning state officials from investing public funds based on ESG criteria.

Denunciations of ESG from the other side of the political spectrum have emerged with accusations of "greenwashing." Some in the investment industry use that term to describe funds that they argue are conveying a false impression or providing misleading information about the sustainability of their products or services.

The below slideshow displays the 10 ESG funds with the worst performance over the past decade.

There is no such thing as a "good" or "bad" ESG investment —or, even an "ESG investment" at all, according to Carlee Griffeth, an ESG data and research analyst for the Sustainable Investing Team at Envestnet | PMC.

"ESG is just more information to consider when investing," she said. "It's information like whether a water-dependent manufacturer is operating in a water-stressed area or — more timely given what's happening in the Southeast U.S. — how close to sea-level a factory in coastal Florida is built. It's also information on the impact a company has on stakeholders beyond shareholders, not just how diverse their workforce is, for example, but how they treat diversity in their hiring and retention practices and the impact that their products or services have on disadvantaged or minority communities."

ESG is information that looks beyond the traditional financial line items to help figure out whether there are financial risks or even opportunities associated with an asset that the traditional metrics don't capture, said Griffeth.

"It's why you'd be hard-pressed to find an asset manager today who doesn't consider ESG information in their investment process in some capacity," she said. "It's just good investing."

What she hears from most clients, however, is less along the lines of, "'I want to

invest in ESG,'" and more, "'The purpose of my money is X, Y and Z. How can you help me accomplish that?'" Griffeth continued.

"ESG information can help an investor achieve a variety of goals beyond simply growing their portfolio over the next 10 years," she said. "It can help the investor who wants to put their wealth to work on the things that matter most to them like investing in climate solutions like clean energy, or community projects like affordable housing. We do have clients who simply recognize the impact that macro-trends like climate change or automation can have on their investment portfolio's return, and ESG information becomes necessary to help reflect those realities in their investment decisions."

'Greenwashing at scale'

If there is such a thing as a "bad" ESG investment, Griffeth said it would be an investment that touts some vague, high-level benefit without any substantial recognition of the impact those macro-trends can have.

"It's a company with a minimal physical footprint and a fully remote workforce touting low waste rates in an annual sustainability report," she said. "It's an asset manager optimizing a portfolio based on a third-party ESG score just to be able to slap an A+ rating on a fact sheet. It's the optics of the elusive 'good ESG' as opposed to the understanding that there is materiality in ESG information and that ESG information is just one component of what should otherwise be a holistic web of factors that drive good investment decisions."

Chris Magaña, strategic advisor and principal at IMS Capital Management in Portland, Oregon, has seen buzzwords, ESG rankings and scoring models "slapped onto investments that feel more like marketing hype than actual impact," he said.

"It's greenwashing at scale, with firms playing to the ESG bingo scorecard instead of making real change," Magaña said. "It's all about looking good, not doing good. Unfortunately, when a new client comes with an ESG mandate, it's common that we turn over 75% of the portfolio because faux ESG is deployed in name only. After discussing our client's core values and goals, we scour the investment landscape for what's available in that category. Sadly, we often must build our ESG strategy from scratch to meet their objectives."

Some clients are skeptical of ESG investments "for good reasons," according to Sam Adams, co-founder and CEO of Vert Asset Management in Sausalito, California.

"There has been a steady parade of criticism around ESG, some helpful and some not, but it's difficult for non-experts to sort it out," he said. "There are many sound ESG investment strategies but there don't seem to be an abundance of financial advisors who have built expertise in this field."

A bad ESG investment claims to be able to outperform but will probably under-

perform because of its high fees, said Adams.

"Another bad form of ESG investment claims to be driving positive change but is just 'greenwashing' by removing a few dirty companies," he said.

Some "smart and savvy investors" are expressing skepticism about "ESG light" and "greenwashed" investments, said Kristin Hull, founder and CIO of Nia Impact Capital in Oakland, California.

"ESG is not a one-and-done," she said. "Well-constructed ESG fund managers are watching out for both the risks and potential upside that this additional analysis can bring. Building an ESG fund is both a science and an art; to do it well, the social and governance aspects can be just as important as an environmental tilt. Unless an asset manager is fully dedicated to understanding and studying the impact space and has expertise on their team, their shop may not have what it takes to build a well-performing ESG portfolio."

'Anti-ESG'

John Blair, president and founder of Blair Capital Management in Norwalk, Connecticut, said he has never received a client request to invest in ESG funds. Investing with ESG as the focus "violates the fiduciary duty an investment advisor holds because the focus of ESG investing is not to maximize shareholder financial returns but rather to somehow improve societal returns," he said.

"This is not in compliance with my understanding of a fiduciary duty which every investment advisor should maintain," Blair said.

Brian Huckstep, chief investment officer of turnkey asset management program Advyzon Investment Management, said the company manages its trading and portfolios using a robust suite of traditional, ESG-agnostic asset allocation strategies for clients.

"We also offer an ESG-oriented set of asset allocation strategies that have seen limited interest," he said. "Interestingly, a couple of years ago we had multiple [advisors] show interest in anti-ESG investments. They hypothesize that if ESG limitations might reduce returns for corporations through increased costs, then perhaps the opposite strategy will produce positive alpha. We built an asset allocation lineup that incorporates Strive ETFs to provide the exposures these advisors and their investors are looking for."

Scroll down the slideshow below for the worst-performing ESG open-end funds and ETFs of the decade, as ranked by their 10-year returns.

Note: All data is from Morningstar Direct and is current as of Oct. 4, 2024. (According to Morningstar, these are classified as "ESG" funds according to its Sustainable Investment/ESG framework. Also, Morningstar adopted this methodology in 2018. Some of the funds in this spreadsheet might have transitioned or re-branded to become "ESG" focused at a certain point in time

over the past decade. Therefore, some of these funds might not have been "ESG" focused when they were first started.)

10 PIMCO Low Duration ESG Institutional (PLDIX)

PIMCO

Fund size	$317.39 million
Expense ratio	0.61
1-Year return	7.84%
10-Year annualized return	1.48%

9 Green California Tax-Free Income Inv (CFNTX)

Fund size $37.55 million

8 BlackRock Impact Mortgage Instl (PNIGX)

BlackRock

Fund size	$295.53 million
Expense ratio	1.59
1-Year return	12.15%
10-Year annualized return	1.29%

7 RBC BlueBay Access Cptl Community Invml (ACCSX)

Fund size	**$667.23 million**
Expense ratio	**0.45**
1-Year return	**12.03%**
10-Year annualized return	**1.12%**

6 CCM Community Impact Bond CRA (CRAIX)

Fund size	**$3.64 billion**
Expense ratio	**0.89**
1-Year return	**9.96%**
10-Year annualized return	**1.08%**

5 Victory Global Energy Transition A (RSNRX)

Fund size	**$355.66 million**
Expense ratio	**1.48**
1-Year return	**3.67%**
10-Year annualized return	**0.50%**

4 Templeton Sustainable Em Mkts Bd Advisor (FEMZX)

Fund size	**$16.02 million**
Expense ratio	**0.92**
1-Year return	**14.46%**
10-Year annualized return	**0.42%**

3 NexPoint Climate Tech Y (HSZYX)

NEXPOINT

Fund size	**$6.66 million**
Expense ratio	**1.39**
1-Year return	**3.09%**
10-Year annualized return	**-1.55%**

2 Invesco WilderHill Clean Energy ETF (PBW)

Fund size	**$294.79 million**
Expense ratio	**0.65**
1-Year return	**-34.67%**
10-Year annualized return	**-2.49%**

1 Delaware Climate Solutions Y (IEYYX)

Fund size	**$130.66 million**
Expense ratio	**1.24**
1-Year return	**13.71%**
10-Year annualized return	**-4.22%**